These 3 Charts Show Why BCE Inc. Has a Better Dividend Than Crescent Point Energy Corp.

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) are two of the highest-yielding stocks on the **S&P/TSX 60**, making them very enticing options for income-oriented investors.

Crescent Point's dividend has the higher yield, which is currently at 6.7%, even after cutting its payout by 57% in August. But BCE's 4.4% dividend is still the better option. The following three charts show why this is the case.

1. A more affordable payout

The chart below shows the free cash flow per share for BCE and Crescent Point over the past 12 months, and compares those figures with their respective dividends.

BCECPGDivFCF
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As can be seen in the first chart, BCE has a very affordable dividend. The company's free cash flow per share of $3.38 easily eclipses the company's $2.60 annualized dividend. Meanwhile, Crescent Point's free cash flow has been negative over the past four quarters, which puts a big question mark on its dividend.

To be fair to Crescent Point, the company's cash flow should improve as the company adjusts to lower oil prices. But Crescent Point probably needs oil prices of about US$55 to maintain its dividend over the long term. Those worries simply don't exist at BCE.

2. Smoother returns

Ideally, dividend stocks should earn consistent profits, no matter where we are in the business cycle.Of course, oil companies do not fit this description, and Crescent Point is no exception.

Meanwhile, BCE operates in a very profitable industry, one characterized by limited competition, high barriers to entry, subscription-based pricing, and growing demand for mobile data. So, you would figure that its profitability is much more consistent.

This is confirmed by the chart below, which shows the return on invested capital for both companies over the last 10 years. Not only are Crescent Point's returns more inconsistent, but they are also lower in general. This should worry dividend investors.

BCECPGROIC

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3. A more consistent dividend

We all know that actions speak louder than words. So even if Crescent Point is confident in its dividend moving forward, this is still a company that slashed its dividend by more than 50% just two months ago. Meanwhile, BCE has steadily increased its payout over the years.

This is summed up by the chart below, which shows the quarterly payout for both firms over the past five years.

BCECPGDIVHistory

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Clearly, BCE's dividend is the better option.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:VRN (Veren)
3. TSX:BCE (BCE Inc.)
4. TSX:VRN (Veren Inc.)

Category

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